

**BURGIN INDEPENDENT
SCHOOL DISTRICT
AUDIT REPORT
JUNE 30, 2015**

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October 23, 2015

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, *Appendix I to the Independent Auditor's Contract – General Audit Requirements*, *Appendix II to the Independent Auditor's Contract – State Audit Requirements*, *Appendix III to the Independent Auditor's Contract – Audit Extension Request*, and *Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Burgin Independent School District as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note A to the financial statements, in 2015, the Burgin Independent School District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules of district's proportionate share of net pension liabilities on Pages 4 through 10, 43 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Burgin Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, and the statement of receipts, disbursements and fund balance – High School Activity Fund are presented for the purpose of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the statement of receipts, disbursements and fund balance – High School Activity Fund are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, statement of receipts, disbursements and fund balance – High School Activity Fund are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 2015, on our consideration of Burgin Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Burgin Independent School District's internal control over financial reporting and compliance.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

BURGIN INDEPENDENT SCHOOL DISTRICT
Management's Discussion and Analysis (MD&A)
Year Ended June 30, 2015

As management of the Burgin Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information found within the body of the financial statements.

FINANCIAL HIGHLIGHTS

- The beginning General Fund's fund balance was \$552,351. The ending fund balance was \$525,516. General fund revenues showed an increase of \$580,239 and expenditures showed an increase of \$493,502 as compared with the prior year. The General Fund transferred \$5,401 to the Special Revenue Fund for the technology grant match and \$41,998 to the Debt Service Fund for debt service payments.
- The District had \$4,800,185 in revenue and \$4,723,373 in expenses.
- The District, through routine debt service, reduced bond debt through the Debt Service Fund. Total debt service payments for fiscal year 2015 were \$247,011 in principal payments and \$144,232 in interest payments.
- The District's total net position increased \$76,812 to \$(423,312). Current assets increased \$41,343, non-current assets decreased \$147,805 and total liabilities increased \$627,298.
- Beginning net position for Governmental Activities was reduced by \$789,000 due to the requirements related to the implementation of GASB 68.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide financial statements - The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The district-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt are also supported by taxes and intergovernmental revenues.

The district-wide financial statements can be found on pages 11 - 12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are agency funds that account for activities of student groups and other types of activities requiring clearing accounts. The only proprietary fund is our food service operation. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 13 - 21 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 - 42 of this report.

DISTRICT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows exceeded assets and deferred outflows by \$423,312 as of June 30, 2015.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Position for the period ending June 30, 2015 and June 30, 2014

A comparison of June 30, 2015 and June 30, 2014 government wide net position is as follows:

	Governmental Activities		Business – Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and Other Assets	\$ 657,295	\$ 603,510	\$ 73,260	\$ 85,702	\$ 730,555	\$ 689,212
Capital Assets	4,312,180	4,456,024	2,508	6,469	4,314,688	4,462,493
Deferred Outflows	<u>99,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,736</u>	<u>-</u>
Total Assets and Def Outflows	<u>5,069,211</u>	<u>5,059,534</u>	<u>75,768</u>	<u>92,171</u>	<u>5,144,979</u>	<u>5,151,705</u>
Current Liabilities	317,087	263,123	-	-	317,087	263,123
Non-Current Liabilities	5,166,204	4,592,870	-	-	5,166,204	4,592,870
Deferred Inflows	<u>85,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,000</u>	<u>-</u>
Total Liabilities and Def Inflows	<u>5,568,291</u>	<u>4,855,993</u>	<u>-</u>	<u>-</u>	<u>5,568,291</u>	<u>4,855,993</u>
Net Position						
Net Investment in Capital Assets	(237,589)	(340,756)	2,508	6,469	(235,081)	(334,287)
Restricted	102,277	64,149	73,260	5,898	175,537	70,047
Unrestricted	<u>(363,768)</u>	<u>473,312</u>	<u>-</u>	<u>79,804</u>	<u>(363,768)</u>	<u>553,116</u>
Total Net Position	<u>\$ (499,080)</u>	<u>\$ 196,705</u>	<u>\$ 75,768</u>	<u>\$ 92,171</u>	<u>\$ (423,312)</u>	<u>\$ 288,876</u>

The District's total net position decreased \$789,000 after restatement of prior year's net position for the implementation of GASB 65. Deferred outflows increased by \$99,736 and total liabilities increased \$627,298. Deferred inflows increased by \$85,000.

The following table presents a comparison of revenues, expenses and changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

	Governmental Activities		Business – Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES						
Program revenues						
Charges for services	\$ 13,861	\$ 4,805	\$ 79,158	\$ 78,235	\$93,019	\$ 83,040
Operating grants and contributions	424,198	180,684	167,396	136,534	591,594	317,218
Capital grants	5,135	106,383			5,135	106,383
General revenues						
Property taxes	1,392,059	1,349,110			1,392,059	1,349,110
Motor vehicle taxes	139,386	128,744			139,386	128,744
Utility Taxes	125,548	128,417			125,548	128,417
Other taxes	1,724	2,539			1,724	2539
Investment earnings	871	874			871	874
State and formula grants	2,391,636	2,298,630		14,507	2,391,636	2,313,137
Miscellaneous	59,721	57,867			59,721	57,867
Special Items						
Fund Transfer	13,340		(13,340)			
Gain (loss) on sale of assets	(508)	(798)			(508)	(798)
Total revenues	<u>4,566,971</u>	<u>4,257,255</u>	<u>233,214</u>	<u>229,276</u>	<u>4,800,185</u>	<u>4,486,531</u>
EXPENSES						
Program Activities						
Instructional	2,897,844	2,658,250			2,897,844	2,658,250
Student support	94,141	96,604			94,141	96,604
Instructional staff Support	220,888	194,590			220,888	194,590
District administrative support	185,673	283,420			185,673	283,420
School administrative support	295,638	323,603			295,638	323,603
Business support	156,561	142,377			156,561	142,377
Plant operations and maintenance	330,868	512,634			330,868	512,634
Student transportation	87,880	149,087			87,880	149,087
Community service activities	40,837	22,658			40,837	22,658
Other		-				
Debt Service	163,386	148,348			163,386	148,348
Business-type Activities						
Food service			249,617	205,686	249,617	205,686
KSBIT Assessment		15,831				15,831
Total expenses	<u>4,473,756</u>	<u>4,547,402</u>	<u>249,617</u>	<u>205,686</u>	<u>4,723,373</u>	<u>4,753,088</u>
Increase in net position	<u>\$93,215</u>	<u>\$ (290,147)</u>	<u>\$ (16,403)</u>	<u>\$ 23,590</u>	<u>\$ 76,812</u>	<u>\$ (266,557)</u>

On-behalf amounts are included in the above figures. On-behalf payments are payments the state makes on behalf of employees to the various agencies for health and life insurance, benefits, administration fees, technology and debt service. The total on-behalf payments for 2015 and 2014 were \$839,694 and \$736,028 respectively.

Governmental Activities

For the governmental program expenses, instructional expenses comprise 66% of total expenses, support services equate to 30%, and interest and other expenses make up the remaining 4% of the total.

The cost of program services and the charges for services and grants offsetting those services are shown on the Statement of Activities. The Statement of activities identifies the net cost of services supported by tax revenue and unrestricted intergovernmental revenues (State entitlements).

	Governmental Activities Total		Governmental Activities Net	
	Cost of Services		Cost of Services	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Instructional	\$ 2,897,884	\$ 2,658,250	2,509,321	2,478,615
Support Services	1,371,649	1,702,315	1,366,024	1,702,315
Other	40,837	38,489	(3,034)	(67,894)
Interest Costs	<u>163,386</u>	<u>148,348</u>	<u>158,251</u>	<u>142,494</u>
Total Expenses	<u>\$ 4,473,756</u>	<u>\$ 4,547,402</u>	<u>\$ 4,030,562</u>	<u>\$ 4,255,530</u>

Business-Type Activities

The business type activities consist of the food service program. This program had total revenues of \$246,554 and expenses of \$249,617 for fiscal year 2015. These revenues were made up of \$79,158 charges for services \$167,396 federal and state operating grants. These business-type activities receive no support from tax revenues, and, as such, the District will continue to monitor these activities and make the necessary adjustments to the operations of these activities.

The School District's Funds

The information relative to the School District's Funds starts on page 13. These funds use the modified accrual basis of accounting to account for each fund's revenues and expenses. The combined revenue for all governmental funds for 2015 was \$4,935,330 and expenditures were \$4,892,433. The most significant net change in fund balance was in Other Governmental Funds with an increase of \$69,732, which is primarily due to increase in tax revenues along with offsetting increases in expenses and a decrease in intergovernmental state revenue.

General Fund Budgetary Highlights

The District's budget is based on accounting for certain transactions on the cash basis for receipts and expenditures and encumbrances and is prepared according to Kentucky law. The Kentucky Department of Education requires a zero-based budget with any remaining fund balance to be shown as a contingency expense in the budgeting process.

The most significant budgeted fund is the General Fund. The general fund had budgeted revenues of \$2,737,031 with actual results being \$3,716,220. Budgeted expenditures were \$3,257,778 compared to actual expenditures of \$3,743,055. The most significant cause of the variance between budget and actual was the state on-behalf payments in the amount of \$797,711 which are not budgeted.

Future Budgetary Implications

In Kentucky, the public schools fiscal year is July 1 – June 30; other programs, i.e. some federal programs operate on a different fiscal calendar, but are reflected in the District overall budget. By law, the budget must have a minimum 2% contingency. The District adopted a budget for 2014-2015 with a 9% contingency. The District has adopted a budget for 2015-2016 with an 11% contingency.

The Board's obligation for contribution to the Kentucky Retirement System for classified employees decreased for FY 2015 from 18.89% to 17.67%. The Kentucky Teachers Retirement mandated an increase contribution from 1.5% to 2.25% on all employees and increased the federal grants matching from 14.605% to 15.35%.

The SEEK base funding increased from \$3,380 per pupil in FY 2014-2015 to \$3,572 per pupil in FY 2015-2016. The General Fund will be closely monitored to support District staffing.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2015 fiscal year, the District had invested \$4,314,688 in a broad range of capital assets, including equipment, buses, buildings, and land net of accumulated depreciation. This amount represents a net decrease of \$147,279. Depreciation expense for the year was \$239,122 and capital additions were \$91,825.

The table on the following page shows capital assets net of depreciation for the governmental activities, business-type activities and total primary government for fiscal years ended June 30, 2015 and 2014.

	Governmental Activities (Net of Depreciation)		Business - Type Activities (Net of Depreciation)		Total Primary Government (Net of Depreciation)	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land and Improvements	\$ 33,208	\$ 36,549	\$ -	\$ -	\$ 33,208	\$ 36,549
Buildings and Improvements	4,063,077	4,231,389	-	-	4,063,077	4,231,389
Technology	40,133	62,091	-	-	40,133	62,091
Vehicles	174,631	122,624	-	-	174,631	122,624
General Equipment	1,131	3,371	2,508	6,469	3,639	9,840
Total	\$ 4,312,180	\$ 4,456,024	\$2,508	\$ 6,469	\$ 4,314,688	\$ 4,462,493

The table below shows the changes in capital assets for fiscal years ended June 30, 2015 and 2014.

	Governmental Activities		Business - Type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Beginning Balance	\$ 4,456,024	\$ 4,629,749	\$ 6,469	\$ 9,821	\$ 4,462,493	\$ 4,639,570
Additions	91,825	28,100	-	-	91,825	28,100
Retirements	(117,267)	(7,800)	-	-	(117,267)	(7,800)
Depreciation	(118,402)	(194,025)	(3,961)	(3,352)	(122,363)	(197,377)
Ending Balance	\$ 4,312,180	\$ 4,456,024	\$2,508	\$ 6,469	\$ 4,314,688	\$ 4,462,493

Long-Term Debt

At year-end the District had \$4,405,000 in bonds outstanding and \$144,769 in capital lease obligations. Bonded debt principal paid for the year ended June 30, 2015 was \$210,000 and capital lease obligation principal paid was \$37,011. A total of \$239,823 is due within one year.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers and other interested readers with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact the District's Superintendent or Finance Director.

BUURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash & Cash Equivalents - Note C	608,157	71,981	680,138
Accounts Receivable:			
Taxes - Current	16,785		16,785
Accounts	12,586	12	12,598
Intergovernmental - Federal	19,767		19,767
Inventories for Consumption		1,267	1,267
Total Current Assets	657,295	73,260	730,555
Noncurrent Assets - Note G			
Buildings & Improvements	6,314,933		6,314,933
Furniture & Equipment	864,215	75,987	940,202
Less: Accumulated Depreciation	(2,866,968)	(73,479)	(2,940,447)
Total Noncurrent Assets	4,312,180	2,508	4,314,688
TOTAL ASSETS	4,969,475	75,768	5,045,243
Deferred Outflows Related to Pensions	99,736		99,736
TOTAL ASSETS AND DEFERRED OUTFLOWS	5,069,211	75,768	5,144,979
LIABILITIES:			
Current Liabilities:			
Accounts Payable	3,888		3,888
Accrued Salaries & Sick Leave - Note A	36,162		36,162
Advances from Grantors	15,642		15,642
KSBIT Assessment	2,418		2,418
Bond Obligations - Note E	215,000		215,000
Capital Lease Obligation - Note F	24,823		24,823
Accrued Interest Payable	19,154		19,154
Total Current Liabilities	317,087	0	317,087
Noncurrent Liabilities:			
Bond Obligations - Note E	4,190,000		4,190,000
Capital Lease Obligation - Note F	119,946		119,946
Net Pension Liability	765,000		765,000
KSBIT Assessment	9,079		9,079
Accrued Sick Leave - Note A	82,179		82,179
Total Noncurrent Liabilities	5,166,204		5,166,204
TOTAL LIABILITIES	5,483,291	0	5,483,291
Deferred Inflows Related to Pensions	85,000		85,000
TOTAL LIABILITIES AND DEFERRED INFLOWS	5,568,291	0	5,568,291
NET POSITION:			
Net Investment in Capital Assets	(237,589)	2,508	(235,081)
Restricted for:			
School Activities	19,070		19,070
SFCC Escrow	83,207		83,207
Food Service		73,260	73,260
Unrestricted	(363,768)		(363,768)
TOTAL NET POSITION	(499,080)	75,768	(423,312)
TOTAL LIABILITIES AND NET POSITION	5,069,211	75,768	5,144,979

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

FUNCTION/PROGRAMS	PROGRAM REVENUES				NET(EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
GOVERNMENTAL ACTIVITIES:							
Instructional	2,897,884	9,113	379,450		(2,509,321)		(2,509,321)
Support Services:							
Student Support Services	94,141		3,911		(90,230)		(90,230)
Staff Support Services	220,888		513		(220,375)		(220,375)
District Administration	185,673				(185,673)		(185,673)
School Administration	295,638				(295,638)		(295,638)
Business Support Services	156,561				(156,561)		(156,561)
Plant Operation & Maintenance	330,868				(330,868)		(330,868)
Student Transportation	87,880	1,201			(86,679)		(86,679)
Community Service Operations	40,837	3,547	40,324		3,034		3,034
Interest on Long-Term Debt	163,386			5,135	(158,251)		(158,251)
TOTAL GOVERNMENTAL ACTIVITIES	4,473,756	13,861	424,198	5,135	(4,030,562)		(4,030,562)
BUSINESS-TYPE ACTIVITIES:							
Food Service	249,617	79,158	167,396			(3,063)	(3,063)
TOTAL BUSINESS-TYPE ACTIVITIES	249,617	79,158	167,396	0	0	(3,063)	(3,063)
TOTAL SCHOOL DISTRICT	4,723,373	93,019	591,594	5,135	(4,030,562)	(3,063)	(4,033,625)
GENERAL REVENUES:							
Taxes:							
Property					1,392,059		1,392,059
Motor Vehicle					139,386		139,386
Utility					125,548		125,548
Other					1,724		1,724
State Aid - Formula Grants					2,391,636		2,391,636
Investment Earnings					871		871
Miscellaneous					59,721		59,721
SPECIAL ITEMS:							
Funds Transfer (Expense)					13,340	(13,340)	0
Gain(Loss) Sale of Assets					(508)		(508)
TOTAL GENERAL & SPECIAL					4,123,777	(13,340)	4,110,437
CHANGE IN NET POSITION					93,215	(16,403)	76,812
NET POSITION, BEGINNING OF YEAR, AS RESTATED - NOTE T					(592,295)	92,171	(500,124)
NET POSITION - ENDING					(499,080)	75,768	(423,312)

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2015

	GENERAL FUND	SPECIAL REVENUE	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS:					
Cash & Cash Equivalents	509,140	(3,322)		102,339	608,157
Accounts Receivable:					
Taxes - Current	16,785				16,785
Accounts	12,586				12,586
Intergovernmental - Federal		19,767			19,767
TOTAL ASSETS	<u>538,511</u>	<u>16,445</u>	<u>0</u>	<u>102,339</u>	<u>657,295</u>
LIABILITIES AND FUND BALANCE:					
Liabilities:					
Accounts Payable	3,023	803		62	3,888
Accrued Salaries & Sick Leave	9,972				9,972
Advances from Grantors		15,642			15,642
Total Liabilities	<u>12,995</u>	<u>16,445</u>	<u>0</u>	<u>62</u>	<u>29,502</u>
Fund Balance:					
Restricted for:					
School Activities				19,070	19,070
SFCC Escrow				83,207	83,207
Committed for:					
Site Based Carryforward	6,809				6,809
Sickleave	108,369				108,369
Unassigned Fund Balance	410,338				410,338
Total Fund Balance	<u>525,516</u>	<u>0</u>	<u>0</u>	<u>102,277</u>	<u>627,793</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>538,511</u>	<u>16,445</u>	<u>0</u>	<u>102,339</u>	<u>657,295</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

TOTAL GOVERNMENTAL FUND BALANCE		627,793
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Cost of Capital Assets	7,179,148	
Accumulated Depreciation	<u>(2,866,968)</u>	4,312,180
Deferred Outflows on Related to Pensions are not a current asset and therefore are not reported as assets in governmental funds.		99,736
Long-term liabilities (including bonds payable) are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds Payable	(4,405,000)	
Capital Lease Obligation	(144,769)	
Net Pension Liability	(765,000)	
KSBIT Assessment	(11,497)	
Accrued Interest on Bonds	(19,154)	
Accrued Sick Leave	<u>(108,369)</u>	(5,453,789)
Deferred Inflows on Related to Pensions are not a current liability and therefore are not reported as liabilities in governmental funds.		<u>(85,000)</u>
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		<u><u>(499,080)</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	GENERAL	SPECIAL REVENUE	DEBT SERVICE FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES:					
Taxes:					
Property	1,149,813			242,246	1,392,059
Motor Vehicle	139,386				139,386
Utility	125,548				125,548
Other	1,724				1,724
Earnings on Investments	871				871
Intergovernmental - State	2,239,110	222,364	28,793	128,868	2,619,135
Intergovernmental - Federal		201,834			201,834
Other Sources	46,428			27,154	73,582
TOTAL REVENUES	3,702,880	424,198	28,793	398,268	4,554,139
EXPENDITURES:					
Instructional	2,331,944	384,281		8,084	2,724,309
Support Services:					
Student Support Services	95,622				95,622
Staff Support Services	219,183	3,961			223,144
District Administration	185,415	520			185,935
School Administration	229,238				229,238
Business Support Services	162,421				162,421
Plant Operation & Maintenance	330,490				330,490
Student Transportation	141,343				141,343
Community Service Operations		40,837			40,837
Debt Service:					
Principal			247,011		247,011
Interest			144,232		144,232
TOTAL EXPENDITURES	3,695,656	429,599	391,243	8,084	4,524,582
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	7,224	(5,401)	(362,450)	390,184	29,557
OTHER FINANCING SOURCES(USES):					
Operating Transfers In - Note O	13,340	5,401	362,450		381,191
Operating Transfers Out - Note O	(47,399)			(320,452)	(367,851)
TOTAL OTHER FINANCING SOURCES	(34,059)	5,401	362,450	(320,452)	13,340
NET CHANGE IN FUND BALANCES	(26,835)	0	0	69,732	42,897
FUND BALANCES - BEGINNING	552,351	0	0	32,545	584,896
FUND BALANCES - ENDING	525,516	0	0	102,277	627,793

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Amounts reported for governmental activities in the statement of net position are different because:

NET CHANGES - GOVERNMENTAL FUNDS		42,897
Governmental funds report capital outlays as expenditures because they use current financial resources. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital exceeds depreciation expense for the year.		
Depreciation Expense	(235,161)	
Capital Outlays	<u>91,825</u>	(143,336)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Principal Paid		247,011
Generally, expenditures recognized in this fund financial statement are limited to only those that use current financial resources, but expenses are recognized in the statement of activities when they are incurred.		
District Pension Contributions	99,736	
Cost of Benefits Earned Net of Employee Contributions	(61,000)	
KSBIT Assessment	4,334	
Accrued Interest Payable	(19,154)	
Accrued Sick Leave	<u>(76,765)</u>	(52,849)
In the statement of activities the net gain on the sale/disposal of assets is reported in whereas in the governmental funds the proceeds from the sale increases financial resources. Thus the change in net position differs from change in fund balances by the cost of the asset sold.		
Gain (Loss)- Sale of Assets		<u>(508)</u>
CHANGES - NET POSITION GOVERNMENTAL FUNDS		<u><u>93,215</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2015

	<u>FOOD SERVICE</u>
ASSETS:	
Current Assets:	
Cash & Cash Equivalents	71,981
Accounts Receivable	12
Inventories for Consumption	<u>1,267</u>
Total Current Assets	73,260
Noncurrent Assets:	
Furniture & Equipment	75,987
Less: Accumulated Depreciation	<u>(73,479)</u>
Total Noncurrent Assets	<u>2,508</u>
TOTAL ASSETS	<u><u>75,768</u></u>
LIABILITIES:	
Current Liabilities:	
Account Payable	<u>0</u>
Total Current Liabilities	0
Net Position:	
Net Investment in Capital Assets	2,508
Restricted	<u>73,260</u>
Total Net Position	<u><u>75,768</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>75,768</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>FOOD SERVICE</u>
OPERATING REVENUES:	
Lunchroom Sales	78,892
Other Operating Revenues	<u>266</u>
TOTAL OPERATING REVENUES	79,158
OPERATING EXPENSES:	
Salaries & Benefits	121,058
Contract Services	2,070
Materials & Supplies	121,201
Depreciation - Note F	3,961
Other Operating Expenses	<u>1,327</u>
TOTAL OPERATING EXPENSES	<u>249,617</u>
OPERATING INCOME(LOSS)	(170,459)
NONOPERATING REVENUES(EXPENSES):	
Federal Grants	132,846
State Grants	15,609
Donated Commodities	18,941
Transfer Out to General Fund	<u>(13,340)</u>
TOTAL NONOPERATING REVENUE	<u>154,056</u>
INCOME(LOSS) BEFORE CAPITAL CONTRIBUTIONS	(16,403)
CAPITAL CONTRIBUTIONS	<u>0</u>
CHANGE IN NET POSITION	(16,403)
TOTAL NET POSITION - BEGINNING	<u>92,171</u>
TOTAL NET POSITION - ENDING	<u><u>75,768</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	FOOD SERVICE FUND
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash Received from:	
Lunchroom Sales	78,892
Other Activities	254
Cash Paid to/for:	
Employees	(107,868)
Supplies	(97,629)
Other Activities	(3,397)
Net Cash Provided (Used) by Operating Activities	(129,748)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:	
Transfer Out to General Fund	(13,340)
Federal Grants	132,846
State Grants	2,419
Net Cash Provided by Non-Capital and Related Financing Activities	121,925
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	-
CASH FLOWS FROM INVESTING ACTIVITIES	-
Net Increase in Cash and Cash Equivalents	(7,823)
Balances, Beginning of Year	79,804
Balances, End of Year	71,981
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Loss	(170,459)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation	3,961
State On-Behalf Payments	13,190
Donated Commodities	18,941
Change in Assets and Liabilities:	
Inventory	4,631
Accounts Receivable	(12)
Net Cash Provided (Used) by Operating Activities	(129,748)
Schedule of Non-Cash Transactions:	
Donated Commodities	18,941
State On-Behalf Payments	13,190

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2015

	<u>SCHOOL ACTIVITY FUNDS</u>	<u>PRIVATE PURPOSE TRUST FUND</u>	<u>TOTAL</u>
ASSETS:			
Cash and Cash Equivalents	52,726	19,672	72,398
Investments		154,149	154,149
TOTAL ASSETS	<u>52,726</u>	<u>173,821</u>	<u>226,547</u>
LIABILITIES:			
Due to Student Groups	52,726		52,726
TOTAL LIABILITIES	<u>52,726</u>	<u>0</u>	<u>52,726</u>
NET POSITION IN TRUST	<u>0</u>	<u>173,821</u>	<u>173,821</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

	<u>PRIVATE PURPOSE TRUST FUNDS</u>
ADDITIONS:	
Earnings on Investments	1,596
DEDUCTIONS:	
Supplies	889
Instructional Grants	<u>10,000</u>
TOTAL DEDUCTIONS	10,889
Changes in Net Position	(9,293)
NET POSITION HELD IN TRUST - BEGINNING OF YEAR	<u>183,114</u>
NET POSITION HELD IN TRUST - END OF YEAR	<u><u>173,821</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Burgin Independent Board of Education (“Board”), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Burgin Independent Board of Education (“District”). The District receives funding from local, state, and federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental “reporting entity” as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to develop policies which may influence operations, and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Burgin Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding, and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organizations are included in the accompanying financial statements:

Burgin Independent Board of Education Finance Corporation – In a prior year, the Board of Education resolved to authorize the establishment of the Burgin Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the “Corporation”) as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation’s Board of Directors.

Basis of Presentation

Government-Wide Financial Statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures, and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- A. The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. This is a major fund of the District.
- B. The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally funded grant programs are identified in the Schedule of Expenditures of Federal Awards and related notes. This is a major fund of the District.
- C. Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay funds and is restricted for use in financing projects identified in the District's facility plan.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the District's facility plan.
3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.

D. Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost; and for the payment of interest on generally obligation notes payable, as required by Kentucky law.

II. Proprietary Fund Types (Enterprise Fund)

The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service is a major fund.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency Funds)

- A. The Agency Fund accounts for activities of student groups and other types of activities requiring clearing accounts. The funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Nonexchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within 60 days of the fiscal year-end.

Proprietary Fund operating revenues are defined as revenues received from the direct purchases of products and services (i.e. food service). Non-operating revenues are not related to direct purchases of products; for the District, these revenues are typically investment income and state and federal grant revenues.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from nonexchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net position as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2015, to finance the General Fund operations were \$0.639 per \$100 valuation for real property, \$0.639 per \$100 valuation for business personal property, and \$0.546 per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the county, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial, and mixed gases.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

Description	Governmental Activities Estimated Lives
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Audio-visual equipment	15 years
Food service equipment	10-12 years
Furniture and fixtures	7 years
Rolling stock	15 years
Other	10 years

Interfund Balances

On fund financial statements, receivables and payable resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statements of net position except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon retirement from the school system, an employee will received from the District an amount equal to 30% of the value of accumulated sick leave.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid accrued sick leave is the amount expected to be paid using expendable available resources. These amounts are recorded in the amount “accumulated sick leave payable” in the general fund. The noncurrent portion of the liability is reported as a reserve of fund balance.

Budgetary Process

Budgetary Basis of Accounting: The District’s budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year-end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements, inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

The food service fund uses the specific identification method.

Investments

The private purpose trust funds record investments at their quoted market prices. All realized gains and losses and changes in fair value are recorded in the Statement of Changes in Fiduciary Net Position.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance

In accordance with Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions, the District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Superintendent.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The District uses *restricted/committed* amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the District would first use *committed*, then *assigned*, and lastly *unassigned* amounts for unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy.

Major Special Revenue Fund

Revenue Source

Special Revenue

State, Local and Federal Grants

Net Position

Net Position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the County Employees Retirement System Non-Hazardous ("CERS") and Teachers Retirement System of the State of Kentucky ("KTRS") and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the pensions. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Changes in Accounting Principle

Effective July 1, 2014, the District was required to adopt Governmental Accounting Standards Board (GASB) Statement no. 68, "Accounting and Financial Reporting for Pensions" (GASB 68). GASB 68 replaced the requirements of GASB 27, "Accounting for Pensions by State and Local Governmental Employers" and GASB 50, "Pension Disclosures", as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability to more comprehensively and comparably measure the annual costs of pension benefits. Cost-sharing governmental employers, such as the District, are required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

GASB 68 required retrospective application. Since the District only presents one year of financial information, the beginning net pension was adjusted to reflect the retrospective application. See Note H for the impact of the adoption of this standard on beginning net position.

NOTE B – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C – CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial Credit is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's policy is to have all deposits secured by pledged securities.

At year-end, the carrying amount of the District's total cash and cash equivalents was \$752,536. Of the total cash balance, \$269,672 was covered by Federal Depository Insurance, \$482,864 was covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's. Cash equivalents are funds temporarily invested in securities with maturity of 90 days or less.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cash and cash equivalents at June 30, 2015, consisted of the following:

	Bank Balance	Book Balance
Farmers National Bank	776,725	732,864
Raymond James	<u>19,672</u>	<u>19,672</u>
Total Cash and Cash Equivalents	<u>796,397</u>	<u>752,536</u>
Breakdown per financial statements:		
Governmental Funds		608,157
Proprietary Funds		<u>71,981</u>
Subtotal		680,138
Fiduciary Funds		19,672
Agency Funds		<u>52,726</u>
Total Cash and Cash Equivalents All Funds		<u>752,536</u>

NOTE D – INVESTMENTS

Investments stem from the estate of Ms. Ruby Proctor, left to Burgin Independent School District to be administered by the superintendent; the principal to be invested in trust-grade instruments and the annual earnings/interest to be distributed to classroom teachers. To be eligible for a “Proctor Grant” the teacher must submit an entry application for a creative, innovative, effective proposal and plan for a special classroom project that goes beyond the standard curriculum. Ms. Proctor urged that those involved in this program be liberal in creativity, to stir the imagination of the students and to build character and a love of learning.

Investments at June 30, 2015, consist of the following:

	<u>Cost</u>	<u>Fair Value</u>
Money Market Funds	\$ 19,672	\$ 19,672
Common Stock	60,201	113,594
Exchange Traded Funds	<u>38,025</u>	<u>40,555</u>
	<u>\$117,898</u>	<u>\$173,821</u>

While such investments are not in conformity with state law or District policy, the assets are in trust, and the trustee makes all investment decisions.

NOTE E – LONG TERM OBLIGATIONS

The amount shown in the accompanying financial statements as bond obligations represents the District’s future obligations to make payments relating to the bonds issued by the Burgin Independent School District Finance Corporation aggregating \$5,360,000.

The original amount of each issue and interest rates are summarized below:

2001	640,000	4.25% - 4.60%
2011	2,345,000	1.00% - 4.30%
2012	1,005,000	1.00% - 2.75%
2012 Refunding	1,370,000	0.70% - 3.00%

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District, through the General Fund (including utility taxes and the Support Education Excellence (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Burgin Independent School District Finance Corporation to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

The District has “participation agreements” with the Kentucky School Facility Construction Commission. The Commission was created by the Kentucky Legislature for the purpose of assisting local schools districts in meeting school construction needs. The table sets forth the amount to be paid by the Board and the Commission for each year until maturity of all bonds issued. The Kentucky School Construction Commission’s participation is limited to the biennial budget period of the Commonwealth of Kentucky with the right reserved by the Kentucky School Construction Commission to terminate the commitment to pay the agreed participation every two years. The obligation of the Kentucky School Construction Commission to make the agreed payments automatically renews each two years for a period of two years unless the Kentucky School Construction Commission gives notice of its intention not to participate not less than sixty days prior to the end of its biennium.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the maturity, the minimum obligations of the District, including amounts to be paid by the Commission at June 30, 2015, for debt service (principal and interest) are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Participation</u>	<u>District's Portion</u>
2015-16	215,000	135,000	28,790	321,210
2016-17	220,000	129,755	28,791	320,964
2017-18	225,000	124,485	28,791	320,694
2018-19	230,000	119,586	28,790	320,796
2019-20	235,000	114,560	28,791	320,769
2020-21	245,000	109,244	28,791	325,453
2021-22	250,000	103,475	28,790	324,685
2022-23	255,000	97,180	28,793	323,387
2023-24	260,000	90,293	28,791	321,502
2024-25	240,000	83,235	194	323,041
2025-26	250,000	75,115	194	324,921
2026-27	260,000	65,649	195	325,454
2027-28	270,000	55,618	194	325,424
2028-29	280,000	45,030	195	324,835
2029-30	290,000	34,030	194	323,836
2030-31	300,000	22,180	194	321,986
2031-32	185,000	7,906	-0-	192,906
2032-33	<u>195,000</u>	<u>2,681</u>	<u>-0-</u>	<u>197,681</u>
	<u>4,405,000</u>	<u>1,415,022</u>	<u>260,476</u>	<u>5,559,546</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government					
Governmental Activities:					
Revenue Bonds Payable	4,615,000	0	210,000	4,405,000	215,000
Capital Lease Obligations	181,780	0	37,011	144,769	24,823
KISBIT Assessment	15,831	0	4,334	11,497	2,418
Accrued Sick Leave	<u>63,208</u>	<u>45,161</u>	<u>0</u>	<u>108,369</u>	<u>26,190</u>
Governmental Activities					
Long-Term Liabilities	<u>4,875,819</u>	<u>45,161</u>	<u>251,345</u>	<u>4,669,635</u>	<u>268,431</u>

NOTE F - CAPITAL LEASE PAYABLE

The District is the lessee of a bus under a capital lease expiring in fiscal year 2016. The asset and liability under the capital lease is recorded at the present value of the minimum lease payments or the fair value of the asset. The asset is amortized over its estimated productive life. Amortization of assets under capital leases is included in depreciation expense for fiscal year 2015.

The following is a summary of property held under capital leases:

<u>Classes of Property</u>	<u>Book Value as of June 30, 2015</u>
Gross amount of assets	242,317
Accumulated Amortization	(103,065)
	<u>139,252</u>

The following is a schedule by years of the future principal payments under capital leases as of June 30, 2015:

<u>Year Ending June 30,</u>	<u>Capital Lease Payable</u>
2016	28,771
2017	27,103
2018	20,014
2019	19,994
2020	18,433
Thereafter	<u>46,986</u>
Net minimum lease payments	161,301
Amount representing interest	<u>(16,532)</u>
Present value of net minimum lease payments	<u>144,769</u>

Interest rates on capitalized leases vary from 1.00% to 4.00%. The capital lease provides for the bus to revert to the District at the end of the respective lease with no further payment for purchase.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	BEGINNING BALANCE	ADDITIONS	RETIREMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:				
Non-Depreciable Assets:				
Land				
Depreciable Assets:				
Land Improvements	203,022			203,022
Buildings & Building Improvements	6,111,911			6,111,911
Technology Equipment	315,394		897	314,497
Vehicles	544,003	91,825	116,370	519,458
General Equipment	30,260			30,260
TOTAL AT HISTORICAL COST	7,204,590	91,825	117,267	7,179,148
LESS ACCUMULATED DEPRECIATION FOR:				
Land Improvements	166,473	3,341		169,814
Buildings & Building Improvements	1,880,522	168,312		2,048,834
Technology Equipment	253,303	21,450	389	274,364
Vehicles	421,379	39,818	116,370	344,827
General Equipment	26,889	2,240		29,129
TOTAL ACCUMULATED DEPRECIATION	2,748,566	235,161	116,759	2,866,968
GOVERNMENTAL ACTIVITIES CAPITAL NET	4,456,024	(143,336)	(508)	4,312,180
PROPRIETARY ACTIVITIES:				
Depreciable Assets:				
Technology Equipment	1,600			1,600
General Equipment	74,387			74,387
TOTALS AT HISTORICAL COST	75,987			75,987
LESS ACCUMULATED DEPRECIATION FOR:				
Technology Equipment	1,600			1,600
General Equipment	67,918	3,961		71,879
TOTAL ACCUMULATED DEPRECIATION	69,518	3,961		73,479
PROPRIETARY ACTIVITIES CAPITAL NET	6,469	(3,961)	-0-	2,508
DEPRECIATION EXPENSE CHARGED TO GOVERNMENTAL FUNCTIONS AS FOLLOWS:				
Instructional				123,601
District Administration				1,603
School Administration				69,120
Plant Operation & Maintenance				2,019
Student Transportation				38,818
TOTAL				235,161

NOTE H – RETIREMENT PLANS

The District's employees are provided with two pension plans, based on each position's college degree requirement. The County Employees Retirement System covers employees whose position does not require a college degree or teaching certification. The Kentucky Teachers Retirement System covers positions requiring teaching certification or otherwise requiring a college degree.

General information about the County Employees Retirement System Non-Hazardous ("CERS")

Plan description—Employees whose positions do not require a degree beyond a high school diploma are covered by the CERS, a cost-sharing multiple-employer defined benefit pension plan administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute ("KRS") Section 61.645, the Board of Trustees of the Kentucky Retirement System administers CERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for CERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided—CERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on hire date:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years service or 65 years old
	Reduced retirement	At least 5 years service and 55 years old At least 25 years service and any age
Tier 2	Participation date	September 1, 2008 - December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	At least 10 years service or 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years service and 65 years old OR age 57+ and sum of service years plus age equal 87
	Reduced retirement	Not Available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Contributions—Required contributions by the employee are based on the tier:

	Required Contributions
Tier 1	5%
Tier 2	5% +1% for insurance
Tier 3	5% +1% for insurance

General information about the Teachers' Retirement System of the State of Kentucky ("KTRS")

Plan description—Teaching certified employees of the District and other employees whose positions require at least a college degree are provided pensions through the Teachers' Retirement System of the State of Kentucky (KTRS)—a cost-sharing multiple-employer defined benefit pension plan with a special funding situation established to provide retirement annuity plan coverage for local school districts and other public educational agencies in the Commonwealth. KTRS was created by the 1938 General Assembly and is governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the KRS. KTRS is a blended component unit of the Commonwealth of Kentucky and therefore is included in the Commonwealth's financial statements. KTRS issues a publicly available financial report that can be obtained at http://www.ktrs.ky.gov/05_publications/index.htm.

Benefits provided—For employees who have established an account in a retirement system administered by the Commonwealth prior to July 1, 2008, employees become vested when they complete five (5) years of credited service. To qualify for monthly retirement benefits, payable for life, employees must either:

- 1.) Attain age fifty-five (55) and complete five (5) years of Kentucky service, or
- 2.) Complete 27 years of Kentucky service.

Employees that retire before age 60 with less than 27 years of service receive reduced retirement benefits. Non-university employees with an account established prior to July 1, 2002 receive monthly payments equal to two (2) percent (service prior to July 1, 1983) and two and one-half (2.5) percent (service after July 1, 1983) of their final average salaries for each year of credited service. New employees (including second retirement accounts) after July 1, 2002 will receive monthly benefits equal to 2% of their final average salary for each year of service if, upon retirement, their total service less than ten years. New employees after July 1, 2002 who retire with ten or more years of total service will receive monthly benefits equal to 2.5% of their final average salary for each year of service, including the first ten years.

In addition, employees who retire July 1, 2004 and later with more than 30 years of service will have their multiplier increased for all years over 30 from 2.5% to 3.0% to be used in their benefit calculation. Effective July 1, 2008, the System has been amended to change the benefit structure for employees hired on or after that date.

Final average salary is defined as the member's five (5) highest annual salaries for those with less than 27 years of service. Employees at least age 55 with 27 or more years of service may use their three (3) highest annual salaries to compute the final average salary. KTRS also provides disability benefits for vested employees at the rate of sixty (60) percent of the final average salary. A life insurance benefit, payable upon the death of a member, is \$2,000 for active contributing employees and \$5,000 for retired or disabled employees.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Cost of living increases are one and one-half (1.5) percent annually. Additional ad hoc increases and any other benefit amendments must be authorized by the General Assembly.

Contributions—Contribution rates are established by Kentucky Revised Statutes (KRS). Non-university employees are required to contribute 12.105% of their salaries to the System. University employees are required to contribute 9.895% of their salaries. KRS 161.580 allows each university to reduce the contribution of its employees by 2.215%; therefore, university employees contribute 7.68% of their salary to KTRS.

The Commonwealth of Kentucky, as a non-employer contributing entity, pays matching contributions at the rate of 13.105% of salaries for local school district and regional cooperative employees hired before July 1, 2008 and 14.105% for those hired after July 1, 2008. For local school district and regional cooperative employees whose salaries are federally funded, the employer contributes 15.355% of salaries. If an employee leaves covered employment before accumulating five (5) years of credited service, accumulated employee pension contributions plus interest are refunded to the employee upon the member's request.

Medical Insurance Plan

Plan description—In addition to the pension benefits described above, KRS 161.675 requires KTRS to provide post-employment healthcare benefits to eligible employees and dependents. The KTRS Medical Insurance Fund is a cost-sharing multiple employer defined benefit plan. Changes made to the medical plan may be made by the KTRS Board of Trustees, the Kentucky Department of Employee Insurance and the General Assembly.

To be eligible for medical benefits, the member must have retired either for service or disability. The KTRS Medical Insurance Fund offers coverage to employees under the age of 65 through the Kentucky Employees Health Plan administered by the Kentucky Department of Employee Insurance. Once retired employees and eligible spouses attain age 65 and are Medicare eligible, coverage is obtained through the KTRS Medicare Eligible Health Plan.

Funding policy—In order to fund the post-retirement healthcare benefit, six percent (6%) of the gross annual payroll of employees before July 1, 2008 is contributed. Three percent (3%) is paid by member contributions and three quarters percent (.75%) from Commonwealth appropriation and two and one quarter percent (2.25%) from the employer. Also, the premiums collected from retirees as described in the plan description and investment interest help meet the medical expenses of the plan.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the District reported a liability for its proportionate share of the net pension liability for CERS. The District did not report a liability for the District's proportionate share of the net pension liability for KTRS because the Commonwealth of Kentucky provides the pension support directly to KTRS on behalf of the District. The amount recognized by the District as its proportionate share of the net pension liability, the related Commonwealth support, and the total portion of the net pension liability that was associated with the District were as follows:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

District's proportionate share of the CERS net pension liability	\$ 765,000
Commonwealth's proportional share of the KTRS net pension liability associated with the District	<u>11,265,939</u>
	<u>\$ 12,030,939</u>

The net pension liability for each plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The District's proportion of the net pension liability for CERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the District's proportion was 0.023568% percent.

For the year ended June 30, 2015, the District recognized pension expense of \$61,000 related to CERS and \$304,711 related to KTRS. The District also recognized revenue of \$304,711 for KTRS support provided by the Commonwealth. At June 30, 2014, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	85,000
Changes in proportion and differences between District contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	<u>99,736</u>	<u>-</u>
Total	<u>\$ 99,736</u>	<u>\$ 85,000</u>

\$99,736 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

	Year ended June 30:
2016	17,000
2017	17,000
2018	17,000
2019	17,000
2020	17,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Actuarial assumptions—The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	CERS	KTRS
Inflation	3.50%	3.50%
Projected salary increases	4.50%	4.0-8.2%
Investment rate of return, net of investment expense & inflation	7.75%	7.50%

For CERS, Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

For KTRS, Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with a setback of 1 year for females. The last experience study was performed in 2011 and the next experience study is scheduled to be conducted in 2016.

For CERS, the long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

For KTRS, the long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class, as provided by KTRS's investment consultant, are summarized in the following table:

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	45.0%	6.4%
Non U.S. Equity	17.0%	6.5%
Fixed Income	24.0%	1.6%
High Yield Bonds	4.0%	3.1%
Real Estate	4.0%	5.8%
Alternatives	4.0%	6.8%
Cash	2.0%	1.5%
Total	100.0%	

Discount rate—For CERS, the discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

For KTRS, the discount rate used to measure the total pension liability was 5.23%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan employees until the 2036 plan year. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through 2035 and a municipal bond index rate of 4.35% was applied to all periods of projected benefit payments after 2035. The Single Equivalent Interest Rate (SEIR) that discounts the entire projected benefit stream to the same amount as the sum of the present values of the two separate benefit payments streams was used to determine the total pension liability.

Sensitivity of CERS and KTRS proportionate share of net pension liability to changes in the discount rate—The following table presents the net pension liability of the District, calculated using the discount rates selected by each pension system, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
CERS	6.75%	7.75%	8.75%
District's proportionate share of net pension liability	666,290	765,000	863,710
KTRS	4.23%	5.23%	6.23%
District's proportionate share of net pension liability	-	-	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Pension plan fiduciary net position—Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial reports of both CERS and KTRS.

NOTE I – COMMITMENTS

Commitments under operating lease agreements for office equipment provide the minimum future rental payments as of June 30, 2015, as follows:

Year ending June 30:

2016	2,556
2017	2,556
2018	2,556
2019	2,555
2020	<u>2,555</u>
Total minimum payments	<u>12,778</u>

NOTE J – CONTINGENCIES

The District receives funding from federal, state, and local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor’s review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected, to be significant. Continuation of the District’s grant programs is predicated upon the grantors’ satisfaction that the funds provided are being spent as intended and the grantors’ intent to continue their programs.

NOTE K – INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies, which are retrospectively related which include Workers’ Compensation insurance.

NOTE L – RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers’ compensation, errors and omissions, and general liability coverage, the District obtains quotes from commercial insurance companies. Currently the District maintains insurance coverage through the Ohio Casualty Insurance Association.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – DEFICIT OPERATING BALANCES

There are no funds of the District that currently have a deficit fund balance. However, the following funds have operations that resulted in a current year deficit of expenditures over revenues resulting in a corresponding reduction of fund balance:

Debt Service Fund	362,450
Special Revenue Fund	5,401
Food Service	16,403

NOTE N – COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the School District at risk for a substantial loss (contingency).

NOTE O – TRANSFER OF FUNDS

The following transfers were made during the year:

Type	From Fund	To Fund	Purpose	Amount
Matching	General	Special Revenue	Technology Match	5,401
Operating	General	Debt Service	Debt Service	41,998
Operating	FSPK	Debt Service	Debt Service	<u>320,452</u>
		Subtotal Governmental Fund Transfers		367,851
Operating	Food Service	General	Indirect Costs	<u>13,340</u>
		Total Transferred Funds		<u>381,191</u>

NOTE P – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances at June 30, 2015.

NOTE Q – SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 23, 2015. There are no material subsequent events to disclose.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE R – ON-BEHALF PAYMENT

For the year ended June 30, 2015, \$839,694 in on-behalf payments were made by the Commonwealth of Kentucky for the benefit of the District. Payments for life insurance, health insurance, Kentucky teacher retirement matching pension contributions, and administrative fees were paid by the State for the District. These payments were recognized as on-behalf payments and recorded in the appropriate revenue and expense accounts. These payments were recorded as follows:

General Fund	\$ 797,711
Food Service Fund	13,190
Debt Service Fund	<u>28,793</u>
Total	<u>\$ 839,694</u>

NOTE S – KSBIT ASSESSMENT

As of June 30, 2013, Kentucky School Boards Insurance Trust (KSBIT) was disbanded. On January 14, 2013, school districts in Kentucky were notified that if they had been participating members in KSBIT Workers' Compensation Self-Insurance Pool or its Property and Liability Self-Insurance Pool, they would be required to pay an assessment to repay their portion of the losses incurred by KSBIT. The total assessment for all participants is expected to be between \$50 million and \$60 million. As of June 30, 2015, Burgin Independent School District's remaining assessment is valued at \$11,497. This has been recorded as a long-term liability on the government-wide financial statements. However, the District may be given an additional assessment in the future if KSBIT incurs additional losses as a result of ongoing litigation. The District has elected to pay this assessment over a seven year period with the final payment in fiscal year 2021.

<u>Year Ending June 30,</u>	<u>KSBIT Assessment Payable</u>
2016	2,418
2017	2,418
2018	1,666
2019	1,666
2020	1,665
2021	<u>1,664</u>
Total	<u>11,497</u>

NOTE T – NET POSITION, AS RESTATED

Governmental Accounting Standards Board statement 68 requires changes to the beginning balances of the Statement of Net Position. Beginning net position of the government activities was decreased \$789,000 to reflect the District's proportionate share of the unfunded pension liability of the County Employee Retirement System.

Beginning Net Position as previously reported on June 30, 2014	\$ 196,705
Prior period adjustment – Implementation GASB 68:	
Net Pension Liability (measurement date)	(892,896)
Deferred outflows – District's contributions made during fiscal year 2014	<u>103,896</u>
Total prior period adjustment	<u>(789,000)</u>
Net Position as restated, July 1, 2014	<u>\$ (592,295)</u>

REQUIRED SUPPLEMENTARY INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	1,336,782	1,336,782	1,416,471	79,689
Other Local Sources	750	750	871	121
State Sources	1,378,399	1,378,399	2,239,110	860,711
Federal Sources			0	0
Other Sources	21,100	21,100	59,768	38,668
TOTAL REVENUES	2,737,031	2,737,031	3,716,220	979,189
EXPENDITURES:				
Instructional	1,730,187	1,730,187	2,331,944	(601,757)
Student Support Services	89,117	89,117	95,622	(6,505)
Staff Support Services	179,890	179,890	219,183	(39,293)
District Administration	174,304	174,304	185,415	(11,111)
School Administration	173,838	173,838	229,238	(55,400)
Business Support Services	126,350	126,350	162,421	(36,071)
Plant Operation & Maintenance	291,359	291,359	330,490	(39,131)
Student Transportation	140,496	140,496	141,343	(847)
Other	352,237	352,237	47,399	304,838
TOTAL EXPENDITURES	3,257,778	3,257,778	3,743,055	(485,277)
NET CHANGE IN FUND BALANCE	(520,747)	(520,747)	(26,835)	493,912
FUND BALANCES - BEGINNING	520,747	520,747	552,351	0
FUND BALANCES - ENDING	0	0	525,516	493,912

On-behalf payments totaling \$797,711 are not budgeted by the Cloverport Independent School District.

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
REVENUES:				
State Sources	231,775	231,775	222,364	(9,411)
Federal Sources	245,278	245,278	201,834	(43,444)
Other Sources	6,689	6,689	5,401	(1,288)
TOTAL REVENUES	483,742	483,742	429,599	(54,143)
EXPENDITURES:				
Instructional	438,695	438,695	384,281	54,414
Student Support Services	2,737	2,737	0	2,737
Staff Support Services	1,473	1,473	3,961	(2,488)
District Administration			520	(520)
School Administration			0	0
Business Support Services			0	0
Plant Operation & Maintenance			0	0
Student Transportation			0	0
Central Office			0	0
Community Service Operations	40,837	40,837	40,837	0
Facility Acquisition & Construction			0	0
Other			0	0
TOTAL EXPENDITURES	483,742	483,742	429,599	54,143
NET CHANGE IN FUND BALANCE	0	0	0	0
FUND BALANCES - BEGINNING	0	0	0	0
FUND BALANCES - ENDING	0	0	0	0

See accompanying auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
KENTUCKY TEACHERS' RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>
District's proportion of net pension liability	0.0%
District's proportionate share of the net pension liability	\$ 0
State of Kentucky's share of the net pension liability associated with the District	<u>12,930,430</u>
Total	<u>\$ 12,930,430</u>
District's covered-employee payroll	\$ 2,077,886
District's proportionate share of the net pension liability as a percentage of its covered-payroll	0.00%
Plan fiduciary net position as a percentage of the total pension liability	45.59%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

BURGIN INDEPENDENT SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
COUNTY EMPLOYEES RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30

	<u>2015</u>
District's proportion of net pension liability	.023568%
District's proportionate share of the net pension liability	\$ 765,000
State of Kentucky's share of the net pension liability associated with the District	<u>0.00</u>
Total	<u>\$ 765,000</u>
District's covered-employee payroll	\$ 563,194
District's proportionate share of the net pension liability as a percentage of its covered-payroll	135.84%
Plan fiduciary net position as a percentage of the total pension liability	65.96%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

BURGIN INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2015

KENTUCKY TEACHERS' RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2010, and based on the results of an actuarial study and adopted by the board on December 19, 2011.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined total pension liability is calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for the year ended June 30, 2015 reported in that schedule:

Valuation Date	June 30, 2013
Inflation	3.50 percent
Salary Increases	4.00 – 8.20 percent
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expense, Including Inflation	7.50 Percent
Municipal Bond Index Rate:	
Prior Measurement Date	4.27 Percent
Measurement Date	4.35 Percent
Year FNP is Projected to be Depleted	2036
Single Equivalent Interest Rate, Net of Pension Plan Investment Expense, Including Inflation:	
Prior Measurement Date	5.16 percent
Measurement Date	5.23 Percent
Post-Retirement Benefit Increases	1.50% annually

COUNTY EMPLOYEES RETIREMENT SYSTEM

NOTE A – CHANGES OF ASSUMPTIONS

The last experience investigation was prepared for the five-year period ending June 30, 2008, and based on the results of an actuarial study and adopted by the board.

NOTE B – METHOD AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contribution rates in the schedule are determined on a biennial basis beginning with the fiscal years ended 2014 and 2015, determined as of July 1, 2013. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. The following actuarial methods and assumptions were used to determine the rates reported in that schedule:

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	30 years
Asset Valuation Method	5-year smoothed market
Inflation	3.5 percent
Salary Increase	4.5 percent, average, including inflation
Investment Rate of Return	7.75 percent, net of pension plan investment expense, including inflation

OTHER SUPPLEMENTARY INFORMATION

BURGIN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
ASSETS:					
Cash & Cash Equivalents	37,958	45,249		19,132	102,339
TOTAL ASSETS	<u>37,958</u>	<u>45,249</u>	<u>0</u>	<u>19,132</u>	<u>102,339</u>
LIABILITIES AND FUND BALANCES:					
Liabilities:					
Accounts Payable				62	62
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>62</u>	<u>62</u>
Fund Balances:					
Restricted for:					
School Activities				19,070	19,070
SFCC Escrow	37,958	45,249			83,207
Unassigned Fund Balance					0
Total Fund Balances	<u>37,958</u>	<u>45,249</u>	<u>0</u>	<u>19,070</u>	<u>102,277</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>37,958</u>	<u>45,249</u>	<u>0</u>	<u>19,132</u>	<u>102,339</u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	BUILDING FUND	SEEK CAPITAL OUTLAY FUND	CONSTRUCTION FUND	DISTRICT ACTIVITY FUND	TOTAL NON-MAJOR GOVERNMENT FUNDS
REVENUES:					
Taxes	242,246				242,246
Intergovernmental - State	85,156	43,712			128,868
Other Sources				27,154	27,154
TOTAL REVENUES	<u>327,402</u>	<u>43,712</u>	<u>0</u>	<u>27,154</u>	<u>398,268</u>
EXPENDITURES:					
Instructional				8,084	8,084
TOTAL EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,084</u>	<u>8,084</u>
EXCESS(DEFICIT) REVENUES OVER EXPENDITURES	327,402	43,712	0	19,070	390,184
OTHER FINANCING SOURCES(USES):					
Operating Transfers In					0
Operating Transfers Out	(320,452)				(320,452)
TOTAL OTHER FINANCING SOURCES(USES)	<u>(320,452)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(320,452)</u>
NET CHANGE IN FUND BALANCES	<u>6,950</u>	<u>43,712</u>	<u>0</u>	<u>19,070</u>	<u>69,732</u>
FUND BALANCES - BEGINNING	<u>31,008</u>	<u>1,537</u>	<u>0</u>	<u>0</u>	<u>32,545</u>
FUND BALANCES - ENDING	<u><u>37,958</u></u>	<u><u>45,249</u></u>	<u><u>0</u></u>	<u><u>19,070</u></u>	<u><u>102,277</u></u>

See independent auditor's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCES
 AGENCY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2015

	FUND BALANCE JULY 1, 2014	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2015
Burgin School Activity Funds	<u>63,514</u>	<u>146,317</u>	<u>157,105</u>	<u>52,726</u>
Total Activity Funds (Due to Student Groups)	<u><u>63,514</u></u>	<u><u>146,317</u></u>	<u><u>157,105</u></u>	<u><u>52,726</u></u>

See independent accountant's report and accompanying notes to financial statements.

BURGIN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS AND FUND BALANCE
SCHOOL ACTIVITY FUNDS

FOR THE YEAR ENDED JUNE 30, 2015

	CASH BALANCE JULY 1, 2014	RECEIPTS	DISBURSEMENTS	CASH BALANCE JUNE 30, 2015	ACCOUNTS RECEIVABLE JUNE 30, 2015	ACCOUNTS PAYABLE JUNE 30, 2015	FUND BALANCE JUNE 30, 2015
Principals Fund	1,244	17	1,236	25			25
AP Testing	0	606	606	0			0
A.R.T.S. Program	300			300			300
PTO Donations	229		23	206			206
Cont Recovery	2,623		2,623	0			0
PTO Donations Bus	40			40			40
Student Coke	193	125	304	14			14
Faculty Coke	216	54	205	65			65
Student Snacks	598		598	0			0
Student Pencil	50			50			50
Master Lock Fund	2	90	92	0			0
Parking Tags	641	465	1,106	0			0
School Pictures	3,278	2,931	2,445	3,764			3,764
Flower Fund	266	405	428	243			243
Enrichment Fund	283		283	0			0
Guided Reader	838		838	0			0
Donations	36			36			36
BFC Grants	215		215	0			0
Burgin Family	124	2,635	1,693	1,066			1,066
FRYSC Backpack Snacks	698	5,099	4,827	970			970
Campbell Class	0	1,166	1,166	0			0
Becker Class	52			52			52
Chaimberlain Class	91		67	24			24
Hudgins Class	79			79			79
Hall Class	0	422	421	1			1
Berry Class	0	45	45	0			0
Renner Class	22	1,344	1,165	201			201
Lindsey Class	3,124	430	3,554	0			0
Rulon Class	0	45	45	0			0
Johnson Class	54		54	0			0
Rauha Fee	318		318	0			0
Ambrose Class	55	270	325	0			0
Grimes Class	39		39	0			0
Harmon Class	295	160	265	190			190
Vowels Class	111	620	731	0			0
Henson Class	53	108	107	54			54
Hale Class	157	126	158	125			125
Irvine Class	46	433	474	5			5
Myers Fee	0	265	265	0			0
Boyd Class	5	1,033	1,005	33			33
Sexton Fee	10		10	0			0
Brooks Class	0	45	45	0			0
Vanwinkle Class	460	200	660	0			0
Mays Class	29	703	668	64			64
Wilson Class	64	262	295	31			31
Kirk Fee	84		84	0			0
Devine Class	1			1			1
Sewell Class	0	100	100	0			0
Robinson Class	17			17			17
Shewmaker Class	73	1,281	1,334	20			20
Book Rental Fee	0	3,862	3,862	0			0
Workbook Fee	54	2,255	2,309	0			0
Yates Class	360	1,089	1,449	0			0
Magige Myers Fee	36		36	0			0
McKenzie Class Fee	9		9	0			0
High School Fee	844	2,077	2,921	0			0
Bowman Fee	381	77	458	0			0
Middle School Fee	0	1,395	1,395	0			0
Primary Fee	1,745	4,532	6,277	0			0
Arts & Humanities Fee	1,424	1,107	2,531	0			0
Technology Fee	676	1,142	1,818	0			0
Credit Recovery Fee	385	140	524	1			1

General Athletic	4,929	29,142	28,010	6,061			6,061
BG Conference	1,081	1,350	1,014	1,417			1,417
Concessions	8,029	12,214	13,044	7,199			7,199
HS Boys Basketball	321	4,573	4,128	766			766
HS Girls Basketball	911	3,520	2,988	1,443			1,443
MS Boys Basketball	18	500		518			518
MS Girls Basketball	82	500	70	512			512
HS Baseball	617	3,890	3,767	740			740
Track Team	260	1,065	745	580			580
Cross Country	928	1,601	1,158	1,371			1,371
Softball	951	5,373	4,971	1,353			1,353
Golf	0	200		200			200
MS Cheerleading	431	6,877	6,306	1,002			1,002
HS Cheerleading	463	3,326	3,323	466			466
MS Baseball	607	572	360	819			819
Volleyball	0	650	381	269			269
Soccer Team	219	200	419	0			0
Fishing Team	36	3,598	2,950	684			684
Band	39	179	218	0			0
FCCLA	1,403	4,105	4,979	529			529
Greenhouse	1,181		533	648			648
Science Club	224	584	690	118			118
Spanish Club	307	683	849	141			141
Speech & Drama Club	726			726			726
Student Council	18			18			18
MS Comm Changers	61			61			61
STLP Club	0	149		149			149
Pep Club	537	430	240	727			727
Art Club	643	603	867	379			379
T.A.T.U. Club	47	30		77			77
FFA	649	3,396	3,470	575			575
Good News club	1,081	933	1,453	561			561
MS Clubs	0	176	168	8			8
Natl Honor Society	442	180	211	411			411
MS Academic Team	87			87			87
Elementary Academy	474			474			474
Gifted/Talented 9-12	713	125	258	580			580
Gifted/Talented 6-8	0	42	42	0			0
Elementary Music	271	1,248	1,141	378			378
Book Drive	38			38			38
Library Coffee Shop	19			19			19
Book Fair	2,371	3,902	6,273	0			0
Yearbook	2,645	6,907	6,754	2,798			2,798
Music Fundraiser	97	1,110	1,207	0			0
Multimedia Fundraising	68			68			68
Art Fundraising	489		489	0			0
Family Consumer	71			71			71
PE Fundraising	436	2,600	1,239	1,797			1,797
Seniors 2015	1,567	2,219	3,786	0			0
Seniors 2016	1,931	4,310	2,970	3,271			3,271
Seniors 2017	285	2,423	1,330	1,378			1,378
Seniors 2018	251	3,971	1,690	2,532			2,532
Seniors 2019	507	226	47	686			686
Seniors 2020	0	235		235			235
Fieldtrip Bus	0	5,238	5,238	0			0
Enrichment Field Trips	921		921	0			0
HS Music Field Trips	5			5			5
8th Grade Field Trips	0	3,592	3,589	3			3
MS Misc Field Trips	0	990	889	101			101
Total All Funds	63,514	168,898	179,686	52,726	0	0	52,726
Interfund Transfers	0	(22,581)	(22,581)	0	0	0	0
Total	63,514	146,317	157,105	52,726	0	0	52,726

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October 23, 2015

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Audits of States, Local Governments, and Non-Profit Organizations, Appendix I to the Independent Auditor's Contract – General Auditing Requirements, Appendix II of the independent Auditor's Contract – State Audit Requirements Appendix III to the Independent Auditor's Contract – Audit Extension Request, and Appendix IV to the Independent Auditor's Contract – Instructions for Submission of the Audit Report*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Burgin Independent School District's basic financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Burgin Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Burgin Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Burgin Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burgin Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. In addition, the results of our tests disclosed no material instances of noncompliance of specific state statutes or regulation identified in *Appendix II of the Independent Auditor's Contract – State Audit Requirements*.

We noted certain matters that we reported to management of Burgin Independent School District in a separate letter dated October 23, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

WHITE AND COMPANY, P.S.C.
Certified Public Accountants
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Charles M. White, CPA
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October 23, 2015

MANAGEMENT LETTER

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

In planning and performing our audit of the financial statements of Burgin Independent School District for the year ended June 30, 2015, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. Our professional standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We feel that the District's financial statements are free of material misstatement. However, we offer the following suggestions that we feel will strengthen your organization's internal control structure.

In addition, we have reviewed recommendations made by the prior auditors in the audit report for the year ended June 30, 2014, and we have reviewed management's responses to those recommendations. Our findings based upon those prior year recommendations are also summarized below.

Prior Year Recommendation:

It was noted that on certain days when only one staff is working in the District office that the same individual receives, records, and deposits the daily receipts, resulting in lack of segregation of duties. It was recommended that in order to strengthen internal control that the district consider holding the receipts on days mentioned until they can be reviewed and deposited by a second party.

Current Year Finding:

No matters were noted related to a lack of segregation of duties regarding cash receipts.

Prior Year Recommendation:

It was noted that there were instances where purchases for expenditures from the school activity fund lacked purchase orders. It was recommended that the District follow the general guidelines in the Redbook and include a purchase order for all expenditures and that the purchase orders and invoices be kept together at the District's offices.

Current Year Finding:

No such matters were noted.

Current Year Recommendation:

During the audit of the school activity fund disbursements, there were instances where disbursements were not supported by an invoice. In these instances, funds were advanced to a teacher or a sponsor for field trips and supplies. However, appropriate supporting documentation was not returned to the school's bookkeeper to document the expenditures incurred and the reconciliation between funds advanced and funds spent. In order to strengthen controls over activity fund disbursements, we recommend that no funds be expended without a proper receipt. In instances where funds need to be advanced, such as for meals on a field trip, teachers and sponsors should be advised that it is mandatory to return an invoice and any remaining funds to school the next day, and returned funds combined with the funds spent must reconcile to the amount of funds advanced.

Management Response:

We will take measures to ensure that proper invoices are received supporting all disbursements and that teachers and sponsors are made aware of the requirement to turn in receipts and remaining advanced funds the next school day after a field trip and that these combined must match the amount of funds advanced.

We would like to offer our assistance throughout the year if and when new or unusual situations arise. Our awareness of new developments when they occur would help to ensure that the District is complying with requirements such as those mentioned above.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various District personnel, and we will be pleased to perform any additional study of this matter or to assist you in implementing the recommendation.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants

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October 23, 2015

Members of the Board of Education
Burgin Independent School District
140 Burgin-Danville Road
Burgin, KY 40310

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Burgin Independent School District for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, Government Auditing Standards and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 20, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Auditing Findings:

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Burgin Independent School District are described in Note A to the financial statements. As described in Notes A and H to the financial statements, the Burgin Independent School District changed accounting policies related to accounting and reporting for pensions by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 68, *Accounting and Financial Reporting for Pensions*, in 2015. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the government-wide financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the sick leave liability is based on current pay rates and those currently eligible for retirement. We evaluated the key factors and assumptions used to develop the sick leave liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management had corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 23, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Burgin Independent School District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were not such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Burgin Independent School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were not engaged to report on the budgetary comparison information on pages 43 and 44 or the schedules of district's proportionate share of net pension liabilities on pages 45 and 46, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this information and we do not express an opinion or provide assurance on it.

Restriction on Use

This information is intended solely for the use of Members of the Board of Education and management of Burgin Independent School District and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

White and Company, P.S.C.

Certified Public Accountants